Michigan Department of Treasury 496 (02/06)

Mari McKenge

Auditing Procedures Report
Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

1 111-24 -4 0		5, as aniei			10			
Local Unit of Government Type		Local Ur	nit Name	County				
☐ County ☐ City ☒ Twp ☐ Village ☐		Jonesfie	nesfield Township Saginaw Co Date Audit Report Submitted to Sate					
Fiscal Year End Opinion D March 31, 2006 Ju	ate ne 7, 2006	6						
	110 1, 2000	<u> </u>	1	August 25, 2006				
We affirm that:								
We are certified public accountants licensed to pra	actice in Mic	chigan.						
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).								
(report of commente and recommendations).								
© U Check each applicable box below. (See instructions for further detail.) ≻ Z								
1. All required component unit reporting entity notes to the				d in the financial statements	s and/or disclosed in the			
2.				ed fund balances/unrestricte	ed net assets (P.A. 275 of 1980)			
3.	ce with the	Uniform C	hart of Accounts issue	d by the Department of Trea	asury.			
4.	a budget for	r all require	ed funds.					
5. 🛮 🗖 A public hearing on the bud	get was hel	ld in accord	dance with State statut	е.				
6.				d under the Emergency Mu	nicipal Loan Act, or other			
7. The local unit has not been	delinquent	in distributi	ng tax revenues that w	vere collected for another ta	xing unit.			
8.	posits/inves	stments tha	t comply with statutory	requirements.				
9.					e Bulletin for Audits of Local			
10. A There are no indications of not been previously commu communicated, please subr	nicated to t	he Local A	udit and Finance Divisi		the course of our audit that have activity that has not been			
11. The local unit is free of repe	ated comm	ents from p	orevious years.					
12. The audit opinion is UNQUA	ALIFIED.							
13.		34 or GAS	SB 34 as modified by N	ICGAA Statement #7 and o	ther generally accepted			
14. The board or council approx	es all invoi	ces prior to	payment as required	by charter or statute.				
15. 🛛 🔲 To our knowledge, bank red	onciliations	that were	reviewed were perform	ned timely.				
If a local unit of government (authorities and con any other audit report, nor do they obtain a sta commission.								
I, the undersigned, certify that this statement is c	omplete an	d accurate	in all respects.					
We have enclosed the following:	Enclose		Required (enter a brief	iustification)				
Financial Statements								
The letter of Comments and Recommendations								
Other (Describe)								
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.	•	•		Telephone Number 989-793-9830				
Street Address		Ci		State	Zip			
023 Davenport Saginaw MI 48602 uthorizing CPA Signature Printed Name License Number								

Mari McKenzie

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Saginaw County, Michigan

Annual Financial Statements and Auditors' Report March 31, 2006



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Jonesfield Township List of Elected and Appointed Officials March 31, 2006

Township Board

Larry Fleming – Supervisor

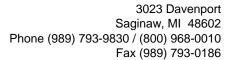
Mildred Parker - Treasurer

Rochelle Siler – Clerk

Donald Aulbert - Trustee

Emory Emery – Trustee







Independent Auditors' Report

To the Township Board Jonesfield Township Merrill, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Jonesfield Township as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Jonesfield Township as of March 31, 2006 and the respective changes in financial position, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2006 on our consideration of the Jonesfield Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jonesfield Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

Saginaw, Michigan

June 7, 2006

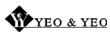
Jonesfield Township Statement of Assets and Liabilities

March 31, 2006

	Gov	Primary overnment vernmental Activities
Assets Cosh and each equivalents	\$	212,720
Cash and cash equivalents Receivables	Φ	212,720
Taxes		12,069
Special assessments		8,004
Due from other units of government		10,581
Capital assets, net		133,329
Total assets		376,703
Liabilities		
Accounts payable		20,126
Accrued and other liabilities		3,352
Due to other units of government		8,674
Deferred revenue		805
Noncurrent liabilities		
Due within one year		15,000
Due in more than one year		150,000
Total liabilities		197,957
Net Assets		
Invested in capital assets, net of related debt		(35,023)
Restricted for:		
Building construction		1,709
Unrestricted		212,060
Total net assets	\$	178,746
Soo Accompanying Notes to Financial Statements		-

Jonesfield Township Statement of Activities For the Year Ended March 31, 2006

									Re	t (Expense) venue and nanges in
										let Assets
			_	P	rograr	n Revenu	es			Primary
					•	erating		Capital		overnment
	_			arges for		nts and		ants and		vernmental
Functions/Drograms	<u> </u>	xpenses		Services	Cont	ributions	Con	<u>tributions</u>		Activities
Functions/Programs Primary government										
Governmental activities										
General government	\$	86,234	\$	-	\$	-	\$	4,800	\$	(81,434)
Public safety		194,666		77,265		-		-		(117,401)
Public works		86,122		38,495		2,031		-		(45,596)
Community and economic development		3,357		-		-		-		(3,357)
Recreation and culture		31,295		-		-		-		(31,295)
Interest on long-term debt		8,471								(8,471)
Total primary government	\$	410,145	<u>\$</u>	115,760	\$	2,031	\$	4,800		(287,554)
		neral reve		S						100 100
		roperty ta: State share		VODUO						169,469 64,254
		Inrestricted			arnina	10				5,066
		/liscellaned		esunent e	arriirig	js			_	19,323
Excess (deficiency) of revenues over expenditures		Total gene	eral	revenues						258,112
Zicoso (denoisino), en revenues even expeniancios	Change in net assets							(29,442)		
	Ne	t assets - I	begi	nning of ye	ear					208,188
	Ne	t assets - e	end	of year					\$	178,746



Governmental Funds

Balance Sheet

March 31, 2006

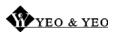
		Special Re	evenue Funds	Total Governmental Funds	
		Police	Trash and Recycling		
	General	Fund	<u>Fund</u>		
Assets					
Cash and cash equivalents	\$ 117,649	\$ 46,034	\$ 49,037	\$ 212,720	
Receivables					
Taxes	12,069	-	-	12,069	
Special assessments	-	5,819	2,185	8,004	
Due from other units of government	10,581			10,581	
Total assets	\$ 140,299	\$ 51,853	\$ 51,222	\$ 243,374	
Liabilities					
Accounts payable	\$ -	\$ 14,443	\$ 5,683	\$ 20,126	
Due to other units of government	8,674	-	-	8,674	
Deferred revenue	805			805	
Total liabilities	9,479	14,443	5,683	29,605	
Fund Balances					
Reserved for:					
Building construction	1,709	-	-	1,709	
Unreserved, reported in:					
General fund	129,111	-	-	129,111	
Special revenue funds		37,410	45,539	82,949	
Total fund balances	130,820	37,410	45,539	213,769	
Total liabilities and fund balances	\$ 140,299	\$ 51,853	\$ 51,222	\$ 243,374	

Governmental Funds

Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities

March 31, 2006

Total fund balances for governmental funds	\$ 213,769
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	133,329
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(3,352)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(165,000)
Net assets of governmental activities	\$ 178,746



Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended March 31, 2006

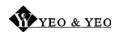
		Special Re	evenue Funds		
Revenues	General	Police Fund	Trash and Recycling Fund	Total Governmental Funds	
Taxes	\$ 169,469	\$ -	\$ -	\$ 169,469	
Licenses and permits	4,615	-	-	4,615	
Federal grants	4,800	-	-	4,800	
State revenue sharing	64,254	-	-	64,254	
Other state grants	2,031	-	-	2,031	
Charges for services	2,870	-	35,625	38,495	
Interest income	3,523	593	950	5,066	
Rental income	14,881	-	-	14,881	
Other revenue	2,629	72,650	1,813	77,092	
Total revenues	269,072	73,243	38,388	380,703	
Expenditures Current					
General government	78,853	-	-	78,853	
Public safety	81,860	90,306	-	172,166	
Public works	53,012	-	33,110	86,122	
Community and economic development	3,357	-	-	3,357	
Recreation and culture	31,295	-	-	31,295	
Other functions Capital outlay	6,467 15,168	-	-	6,467 15,168	
Debt service	15,100	-	-	13,166	
Principal retirement	15,000	_	_	15,000	
Interest and fiscal charges	8,775	-	-	8,775	
Total expenditures	293,787	90,306	33,110	417,203	
Excess (deficiency) of revenues over expenditures	(24,715)	(17,063)	5,278	(36,500)	
Other financing sources (uses)					
Transfers in	- (0.000)	6,000	-	6,000	
Transfers out	(6,000)			(6,000)	
Total other financing sources and uses	(6,000)	6,000			
Net change in fund balance	(30,715)	(11,063)	5,278	(36,500)	
Fund balance - beginning of year	161,535	48,473	40,261	250,269	
Fund balance - end of year	\$ 130,820	\$ 37,410	\$ 45,539	\$ 213,769	



Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Net change in fund balances - Total governmental funds	\$ (36,500)
Total change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense Capital outlay	(23,414) 15,168
Expenses are recorded when incurred in the statement of activities Accrued interest	304
Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	
Repayments of long-term debt	 15,000
Change in net assets of governmental activities	\$ (29,442)



Fiduciary Funds

Statement of Assets and Liabilities March 31, 2006

	Agency Funds
Assets Cash and cash equivalents	<u>\$ 2,202</u>
Liabilities Due to other units of government	<u>\$ 2,202</u>



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

Jonesfield Township became a Township in 1882 and is located in Saginaw County. The Township is governed by an elected five-member Board.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. Government activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.



The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Police Fund accounts for the revenue and expenditures for the government's police operations.

The Trash and Recycling Fund provides services for residents relating to trash pick up and recycling activities. Revenues for this program come from special assessments on the tax roll from the Township's residents.

Additionally, the government reports the following:

Trust and Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then

unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2005 taxable valuation of the government totaled \$38,054,399 on which ad valorem taxes consisted of 0.9251 mills for operating purposes. This resulted in \$35,199 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in

excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the Township Board.



Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Excess of expenditures over appropriations

The Township incurred expenditures in excess of budget in the General Fund and Police Fund. Excess expenditures in these funds occurred in the following areas:

	Budget Actual		Excess
General Fund			
Recreation and culture	\$26,231	\$31,295	\$ 5,064
Other functions	5,050	6,467	1,417
Capital outlay	-	15,168	15,168
Transfers out	-	6,000	6,000
Police Fund			
Public safety	85,000	90,306	5,306

NOTE 3 - DEPOSITS AND INVESTMENTS

Interest rate risk — The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates.

Credit risk — State statutes authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and

mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The investment policy adopted by the government authorizes investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits - In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$73,746 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTE 4 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance Increases		Decreases	Ending Balance
Governmental activities Capital assets not being depreciated Land	\$ 4,000	<u>\$ -</u>	\$ -	\$ 4,000
Capital assets being depreciated Land improvements Buildings, additions and improvements Machinery and equipment Vehicles	422,016 4,212 225,000	10,368 - 4,800 -	- - - -	10,368 422,016 9,012 225,000
Total capital assets being depreciated	651,228	15,168		666,396
Less accumulated depreciation for Land improvements Buildings, additions and improvements Machinery and equipment Vehicles	419,441 4,212 90,000	266 305 343 22,500	- - -	266 419,746 4,555 112,500
Total accumulated depreciation	513,653	23,414		537,067
Net capital assets being depreciated	137,575	(8,246)		129,329
Governmental activities capital assets, net	\$ 141,575	\$ (8,246)	\$ -	\$ 133,329



Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government Public safety	\$ 914 22,500
Total governmental activities	\$ 23,414

NOTE 5 - INTERFUND TRANSFERS

The details for interfund transfers are as follows:

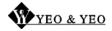
Funds Transferred From	Funds Transferred To					
General Fund	Police Fund	\$	6,000			

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 6 - DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Une</u>	arned
Primary government		
Other revenue	\$	805



NOTE 7 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Long-term obligation activity is summarized as follows:

	Δ	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	 Additions	Re	ductions	Ending Balance	e Within ne Year
Governmental activities											
Bonds and notes payable											
Installment purchase agreements											
Fire Truck Loan	\$	225,000	5/1/2016	4.88%	\$ 15,000	\$ 180,000	\$ -	\$	15,000	\$ 165,000	\$ 15,000



Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending	Governmental Activities							
March 31,		Principal		Interest				
2007	\$	15,000	\$	7,678				
2008		15,000		6,947				
2009		15,000	6,21					
2010		15,000		5,484				
2011		15,000		4,753				
2012-2016		75,000		12,798				
2017		15,000		366				
	\$	165,000	\$	44,242				

NOTE 8 - RELATED PARTY

Jonesfield Township has an intergovernmental service agreement with the Jonesfield - Lakefield Fire District and the Merrill District Library. The Township levies and collects property taxes on behalf of the Fire District and the Library. Those are included in the revenues and expenditures of the Township.

NOTE 9 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Jonesfield Township contributes to the Township of Jonesfield Group Pension Plan, which is a defined contribution plan.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions and forfeitures of other participants' benefits that may be allocated to such participant's account.

Contributions made by an employee and Township vest 100% upon completion of 20 months of employment. An employee who leaves employment of the Township is entitled to contributions made plus any interest earned. All elected officials of the Township are eligible to participate. Annual contributions are calculated based on a compensation class scale using each participant's annual compensation. The Township is required to pay 75% of the cost of the annual contribution, while each participant is required to contribute the remaining 25% of the contribution.

During the year the Township's required and actual contributions amounted to \$ 1,600. The employees' required and actual contributions were \$ 533 for the year.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.



The Plan held no securities of the Township or other related parties during the year or as of the close of the fiscal year.

NOTE 11 - CONTINGENT LIABILITIES

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.



Required Supplemental Information

Budgetary Comparison Schedule

General Fund

				Ov	Actual er (Under)
	Budgeted	l Amounts			Final
	<u>Original</u>	Original Final			Budget
Revenues					
Taxes					
Property taxes	\$ 151,000	\$ 151,000	\$ 157,920	\$	6,920
Penalties and interest	-	-	2,674		2,674
Administration fee	14,500	14,500	8,875		(5,625)
Licenses and permits	3,450	3,450	4,615		1,165
Federal grants	-	-	4,800		4,800
State revenue sharing	64,000	64,000	64,254		254
State grants	-	-	2,031		2,031
Charges for services	-	-	2,870		2,870
Interest income	580	580	3,523		2,943
Rental income	12,250	12,250	14,881		2,631
Other revenue	3,890	3,890	2,629		(1,261)
Total revenues	249,670	249,670	269,072		19,402
Expenditures					
General government					
Township board	3,425	3,425	3,195		(230)
Supervisor	15,600	15,600	15,807		207
Clerk	15,250	15,250	14,469		(781)
Board of review	1,000	1,000	825		(175)
Treasurer	12,300	12,300	11,886		(414)
Assessor	1,000	1,000	1,000		-
Elections	750	750	431		(319)
Buildings and grounds	35,965	35,965	31,240		(4,725)
Total general government	85,290	85,290	78,853		(6,437)

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

	Budgeted Original	I Amounts Final	Actual	Actual Over (Under) Final Budget
Public safety	Ф 0.4CE	Ф 0.40E	Ф 4.700	Ф (C.4C2)
Police Liquor law enforcement	\$ 8,165	\$ 8,165	\$ 1,703 2,380	\$ (6,462) 2,380
Fire department	71,225	71,225	74,180	2,955
Building inspection department	3,850	3,850	3,597	(253)
Total public safety	83,240	83,240	81,860	(1,380)
Public works				
Department of public works	10,700	10,700	10,558	(142)
Drains	7,800	7,800	5,590	(2,210)
Highways, streets and bridges	70,000	70,000	36,864	(33,136)
Total public works	88,500	88,500	53,012	(35,488)
Community and economic development				
Planning	3,000	3,000	1,857	(1,143)
Zoning	1,500	1,500	1,500	
Total community and economic development	4,500	4,500	3,357	(1,143)
Recreation and culture				
Parks and recreation	4,000	4,000	8,000	4,000
Library	22,231	22,231	23,295	1,064
Total recreation and culture	26,231	26,231	31,295	5,064

Required Supplemental Information

Budgetary Comparison Schedule

General Fund

	Budgeted Original	Amounts Final	Actual	Actual Over (Under) Final Budget
Other functions	\$ 5,050	\$ 5,050	\$ 6,467	\$ 1,417
Unallocated employee fringe benefits	φ 3,030	φ 5,050	φ 0,407	ψ 1,417
Capital outlay			15,168	15,168
Debt service Principal retirement Interest and fiscal charges	15,000 8,775	15,000 8,775	15,000 8,775	<u>-</u>
Total debt service	23,775	23,775	23,775	
Transfers out			6,000	6,000
Total expenditures	316,586	316,586	299,787	(16,799)
Excess (deficiency) of revenues over expenditures	(66,916)	(66,916)	(30,715)	36,201
Fund balance - beginning of year	161,535	161,535	161,535	
Fund balance - end of year	<u>\$ 94,619</u>	\$ 94,619	\$ 130,820	\$ 36,201

Required Supplemental Information

Budgetary Comparison Schedule

Police Fund

	Actual Over (Under) Budgeted Amounts Final Original Final Actual Budget
Revenues Interest income	\$ 120 \$ 120 \$ 593 \$ 473
Other revenue Transfers in	72,150 72,150 72,650 500 - - 6,000 6,000
Total revenues	<u>72,270</u> <u>72,270</u> <u>79,243</u> <u>6,973</u>
Expenditures Current Public safety	85,000 85,000 90,306 5,306
Excess (deficiency) of revenues over expenditures	(12,730) (12,730) (11,063) 1,667
Fund balance - beginning of year	48,473 48,473 -
Fund balance - end of year	<u>\$ 35,743</u>

Required Supplemental Information

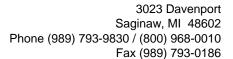
Budgetary Comparison Schedule

Trash and Recycling Fund

	Budgeted Original	d Amounts Final	Actual	Actual Over (Under) Final Budget
Revenues				
Charges for services	\$ 35,150	\$ 35,150	\$ 35,625	\$ 475
Interest income	200	200	950	750
Other revenue			1,813	1,813
Total revenues	35,350	35,350	38,388	3,038
Expenditures Current				
Public works	38,650	38,650	33,110	(5,540)
Excess (deficiency) of revenues over expenditures	(3,300)	(3,300)	5,278	8,578
Fund balance - beginning of year	40,261	40,261	40,261	
Fund balance - end of year	\$ 36,961	\$ 36,961	\$ 45,539	\$ 8,578

Jonesfield Township Other Supplemental Information Schedule of Indebtedness March 31, 2006

Description	Interest Date of Rate Maturity		Amount of Annual Maturity		Interest		Interest		Total
Governmental Activities	4.88%	2007	\$	15,000	\$	3,656	\$	4,022	\$ 22,678
Fire Truck Loan	4.88%	2008		15,000		3,291		3,656	21,947
Amount of issue - \$225,000	4.88%	2009		15,000		2,925		3,291	21,216
	4.88%	2010		15,000		2,559		2,925	20,484
	4.88%	2011		15,000		2,194		2,559	19,753
	4.88%	2012		15,000		1,828		2,194	19,022
	4.88%	2013		15,000		1,463		1,828	18,291
	4.88%	2014		15,000		197		1,463	16,660
	4.88%	2015		15,000		731		1,097	16,828
	4.88%	2016		15,000		366		731	16,097
	4.88%	2017		15,000				366	 15,366
			\$	165,000	\$	19,210	\$	24,132	\$ 208,342





Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Township Board Jonesfield Township Merrill, Michigan

We have audited the financial statements of the governmental activities and each major fund of Jonesfield Township as of and for the year ended March 31, 2006, which collectively comprise Jonesfield Township's basic financial statements and have issued our report thereon dated June 7, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Jonesfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

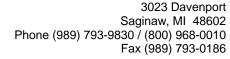
As part of obtaining reasonable assurance about whether Jonesfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Jonesfield Township, management and federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

June 7, 2006

Saginaw, Michigan

Yeo & Yeo, P.C.





August 1, 2006

To the Township Board Jonesfield Township

In planning and performing our audit of the financial statements of Jonesfield Township for the year ended March 31, 2006, we considered the Township's internal control system to determine our auditing procedures for the purposes of expressing an opinion on the financial statements and not to provide assurance on the internal controls.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. The following summarizes our comment regarding this matter. This letter does not affect our report dated June 7, 2006, on the financial statements of Jonesfield Township.

FIXED ASSET POLICY

During our audit we noted there are no established guidelines concerning which property and equipment acquisitions are to be capitalized. We recommend the Board establish a policy whereby all property and equipment purchases over a minimum threshold and having a useful life of one year or more are capitalized.

We will review the status of this comment during our next audit engagement. We have already discussed the comment and suggestion with Township personnel. We appreciate the opportunity to provide services to the Township. Should you have any questions on the above, please feel free to contact us.

Very truly yours,

YEO & YEO, P.C.

CPAs and Business Consultants

Michael Gensel